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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 10/03/07

Index:

- 1) Top headlines
- 2) Editorials
- 3) Prime Minister's daily schedule

Anti-terrorism law:

- 4) Government and ruling parties agree on outline of the new anti-terrorism bill that would allow the MSDF to continue Indian Ocean refueling services
- 5) New anti-terrorism law will have a 2-year time limit and may stop MSDF refueling of supply ships
- 6) Democratic Party of Japan (DPJ) refuses ruling camp's request for prior consultation on anti-terror bill to iron out differences
- 7) Government reply to Diet question on charge of diversion of use of MSDF-provided fuel in Indian Ocean: Not in a position to know full details
- 8) Fierce confrontation expected in the Diet between ruling and opposition camps over the extension of MSDF refueling services in Indian Ocean
- 9) Ruling parties coordinating one-month extension of the Diet session in order to have time to pass new anti-terror bill
- 10) Government denies that MSDF fuel oil supplied in the Indian Ocean was diverted by US warships for use in Iraq war.

North Korea problem:

- 11) US, Japan reach understanding on latest 6-party agreement setting timetable for limited North Korean nuclear disablement
- 12) Joint statement by six-party talks says delisting DPRK as state sponsor of terrorism "depends on how that country will behave from

now on"

13) Chief cabinet secretary denies that tentative 6-party agreement on North Korea contains stated timeframe for removing DPRK from terror-sponsor list

14) Government has hopes and fears about ongoing South-North Korea summit talks, but Japan will continue its sanctions

15) Fukuda administration swiftly responded to Okinawa textbooks issue when caught by surprise monster rally in that prefecture

16) Support group of DPJ senior member Watanabe falsified political funds records to claim large expenses for non-existent office

Business trends:

17) First triangular merger in Japan includes US' Citigroup

18) Japanese business circles alarmed by triangular merger, but METI is cool about it

Articles:

1) TOP HEADLINES

Asahi: Nikkei:

Citigroup to wholly own Nikko Cordial in first case of triangular merger: Nikko to be delisted as early as next January

Mainichi:

KDDI, DoCoMo to lower mobile phone call charges by about 30 PERCENT possibly next month

Yomiuri:

New antiterror legislation to mention UNSC resolution: Government,

TOKYO 00004638 002 OF 012

ruling camp agree on outline; two-year term limit most likely

Sankei:

Medical care for the elderly: Radical reform plan to be compiled in a year; LDP, New Komeito to review medical copayments by those in 65-74 age bracket

Tokyo Shimbun:

New refueling legislation: Ruling parties agree in principle; Coordination underway for extending Diet session by a month

Akahata:

Government to review school textbook screening concerning mass suicides: Hearts of people in Okinawa move government

2) EDITORIALS

Asahi:

(1) Inter-Korean talks: Secure commitment to disable nuclear facilities from North Korea

(2) Medical services for the elderly: Freezing increase in copayments a stopgap measure with eye on general election

Mainichi:

(1) Passages on mass-suicides: Just reinstating reference to coercion by the military will not settle issue

(2) Privatized postal services launched: Do not forget user convenience

Yomiuri:

(1) Mass-suicides in wartime Okinawa: Political intervention in school textbook screening puzzling

(2) Death of 17-year-old sumo wrestler: Violence will disgrace national sport

Nikkei:

(1) Show path toward nuclear abolition instead of dramatizing inter-Korean reconciliation

(2) Sumo Association should be aware that it is a public interest corporation.

Sankei:

- (1) School textbook screening: Carry facts correctly, rejecting political intervention
- (2) Reform of government-affiliated financial institutions: Politics should support personnel appointed from private sector

Tokyo Shimbun:

- (1) New antiterror legislation: Information disclosure essential
- (2) Fake cochin incident heightens distrust in food labeling

Akahata:

- (1) Death of sumo wrestler: Root out violence from the professional sumo world

3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, October 2

NIKKEI (Page 2) (Full)  
October 3, 2007

TOKYO 00004638 003 OF 012

10:02

Attended a cabinet meeting at the Kantei. Visited the office of global warming countermeasures headquarters. Later, met Vice Defense Minister Masuda.

12:02

Attended a liaison meeting of the government and the ruling parties.

14:33

et Cabinet Office's Vice Minister Uchida and Decoration Bureau Director General Fukushima. Followed by Japan Chamber of Commerce and Industry Chairman Yamaguchi and Japan Retailers Association Chairman Nakamura.

15:22

Met Education Vice Minister Zeniya. Followed by Special Assistant Yamatani.

18:09

Met Deputy Chief Cabinet Secretary Futahashi.

19:00

Arrived at his private residence in Nozawa.

4) Government, ruling parties agree to mention UN resolution in new antiterrorism bill; Term likely to be set at two years

YOMIURI (Top play) (Excerpts)  
October 2, 2007

The government and ruling parties yesterday reached a broad agreement on new legislation replacing the Antiterrorism Special Measures Law for continuing the Maritime Self-Defense Force's refueling operations in the Indian Ocean. The MSDF operations will be limited to providing fuel and water to foreign vessels. The government will be required to report to the Diet regularly, removing the requirement of retroactive Diet approval from the current law. A senior ruling party lawmaker indicated last night that the term of the new law would be two years, saying: "It would be good for two years and the government would be required to report to the Diet a year after the law takes effect."

Following the basic agreement on the draft legislation, the focus will shift to coordination of views with the major opposition Democratic Party of Japan (Minshuto or DPJ). The government and ruling parties intend to make a final decision on Oct. 4 and begin talks between the ruling and opposition camps with a Diet chiefs' meeting on the 5th. They are also planning to introduce a bill to the Diet before the end of the month for an early enactment of the new legislation.

As grounds for the MSDF operation, the outline includes mention of UN Security Council Resolution 1997, adopted in September, which

expressed appreciation for the maritime interdiction operations by the coalition forces, including the MSDF.

The chief cabinet secretary, foreign minister, and defense minister held a meeting yesterday morning, and the antiterrorism project team chaired by former LDP Vice President Taku Yamasaki also met in the afternoon to finalize the outline.

TOKYO 00004638 004 OF 012

The government presented a plan to set the law's period at two years, while the New Komeito insisted on one year. Foreign Minister Komura in a media interview yesterday indicated that in order to conduct stable operations, two years would be better than one year. Also aiming to make it mandatory for the government to report to the Diet on the amounts of oil and water supplied by the MSDF and to increase the number of countries receiving services, the government is horridly coordinating views with the United States and other countries.

5) Government eyes halting MSDF refueling service to supply vessels, sets new law's effective period at two years in outline

ASAHI (Page 1) (Full)  
October 3, 2007

The government yesterday launched a discussion on the possibility of discontinuing the Maritime Self-Defense Force's (MSDF) refueling service to other countries' supply vessels in its refueling mission in the Indian Ocean. This is because the final destination of the fuel supplied to replenishment vessels remains unknown. The government hopes to make MSDF operations more transparent by calling off the refueling service to supply ships. The government also presented an outline for a new bill to replace the Antiterrorism Special Measures Law to the ruling camp the same day. The outline sets the new law's effective period at two years.

In a press conference with the Asahi Shimbun and other press companies yesterday, Defense Minister Ishiba indicated that the ministry would consider discontinuing the ongoing MSDF's refueling service to replenishment vessels. He said: "We will also have to study whether the suspension of the refueling operation to supply vessels would have some impact on overall maritime intercept operations."

Ishiba also implied that the new legislation would include mention of a ban on refueling supply ships, remarking: "Although we have yet to reach the stage of making a definite statement, it is a matter of technology whether it is possible to put it in a provision or in official notes (exchanged between governments)."

Meanwhile, the government presented the outline of the bill yesterday to the project team of the Liberal Democratic Party and the New Komeito, chaired by Taku Yamazaki. The outline sets the new law's effective period at two years. It also requires the government to annually report on the MSDF mission to the Diet, scrapping the clause in the current Antiterrorism Law that requires Diet approval.

The ruling bloc will finalize the outline by Oct. 5 and submit it to the Democratic Party of Japan and other opposition parties the same day, hoping to start substantive talks at meetings of both houses scheduled for next week.

Besides, the outline of the bill restricts the MSDF activities to supplying oil and water to vessels of other countries. The new bill would also specify that the MSDF mission is rooted in the United Nations Security Council Resolution 1368, adopted immediately after the terrorism attacks on the United States in 2001, and Resolution 1776, which expresses appreciation for the operations by multinational forces, including Japan, intended to prevent the movement of terrorists and weapons.

TOKYO 00004638 005 OF 012

6) DPJ refuses prior consultations with government, ruling coalition

NIKKEI (Page 2) (Full)  
October 3, 2007

When asked whether to respond to prior discussions with the government and ruling coalition on the issue of the refueling mission in the Indian Ocean, Democratic Party of Japan (DPJ) President Ichiro Ozawa strongly denied yesterday, saying:

"Since the position of the (DPJ) is that the Constitution does not allow (refueling mission), we cannot hold any discussions. If they accept our assertion, it would be a different story."

Asked whether he would hold a meeting with Prime Minister Yasuo Fukuda, Ozawa responded flatly: "It is an issue that should be resolved in debate at the Diet." The DPJ intends to refuse the Liberal Democratic Party's proposal of setting up a consultative body.

The DPJ, however, is concerned about trends of public opinion. Many in the party think that they want to prevent the public from seeing them as opposing the government for the sake of just opposing it.

In an effort to win the public over to its side, the DPJ will pursue allegation of Japan's fuel being used for the Iraq war. In a meeting of the party's foreign affairs and defense division, Secretary General Yukio Hatoyama urged the officials in charge of foreign and defense affairs to disclose information, saying: "We want to know the truth." Hatoyama will bring up this issue at a questioning session at the Diet today.

Tsuyoshi Yamaguchi, vice defense minister of the "Next Cabinet,"

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said: "Without shedding light on the allegation, the refueling mission will not be allowed." The DPJ is looking into the possibility of evoking the right of the Diet to investigate state affairs.

7) Allegation of fuel diversion: Government in written response says, "It is not position to know details" of operations by foreign ships

NIKKEI (Page 2) (Full)  
October 3, 2007

The government revealed yesterday in a written response adopted by the cabinet that it had received in 2003 an answer from the United States regarding allegations of fuel diversion. The answer from the US was that there had been no case in which Japan's fuel was used for purposes other than that stipulated in the Antiterrorism Special Measures Law. The fuel supplied by Japan would not be used for other purposes.

As to the operations of foreign ships that were provided fuel by Japan's Maritime Self-Defense Force, the government's written response was: "The government is not in a position to know the details because each country decides its operations."

8) Bill to extend refueling mission outlined by government and ruling bloc likely to bring about a full confrontation in Diet; New

TOKYO 00004638 006 OF 012

Komeito cautious about putting bill to revote

NIKKEI (Page 2) (Full)  
October 3, 2007

The government and the ruling bloc yesterday shaped an outline of a bill allowing the Maritime Self-Defense Force's (MSDF) refueling mission. They intend to show this outline to the opposition parties to discuss it, but the major opposition Democratic Party of Japan (DPJ) is unlikely to respond to discussion and to prefer a total

confrontation with the ruling bloc. Now that the opposition parties control the Upper House, if the ruling parties fail to obtain the opposition parties' support for the bill, the major ruling Liberal Democratic Party (LDP) may put the bill to a revote in the Lower House and pass it into law by a two-third majority there, but some in the junior coalition partner New Komeito are cautious about doing so. Meanwhile, some in the DPJ noted that the party could not obtain the public's understanding if it simply opposes it. A battle over the bill is about to start in the Diet with both ruling and opposition parties harboring concerns.

"It is important for us to draft a good bill and demonstrate through Diet debate that our bill is excellent," Prime Minister Yasuo Fukuda said at a liaison meeting yesterday of the government and the ruling parties.

Afterwards, the ruling bloc held its working group meeting and decided there to specify in the bill (1) limiting the MSDF's operations to the supply of fuel and water and (2) a United Nations resolution adopted in September expressing appreciation for the MSDF's refueling mission.

On the question of when the bill will expire, discussion between the government, the LDP and the New Komeito failed to reach agreement with the government and the LDP calling for the two-year duration of the bill, insisting that they don't want to discuss the same matter every year, and the New Komeito insisting on one year on the grounds that Diet's supervision should be strengthened. The government also sought to eliminate the provision of Diet approval, but it met with opposition from the LDP and the New Komeito. No agreement was thus reached on this matter, either.

Considering the DPJ, they suggested establishing a consultative council to reflect the opposition bloc's ideas in the bill. If agreement were reached, they want to pass the bill into law by mid-December. LDP Secretary General Bunmei Ibuki noted: "If support for the bill widened, the opposition bloc would find it difficult to stick to opposition."

When asked by reporters whether he has confidence in making the DPJ compromise, Fukuda said: "All I can do is to make efforts for that."

9) Ruling bloc approves outline of new refueling legislation;  
Coordination underway for extending Diet by one month

TOKYO SHIMBUN (Top play) (Abridged slightly)  
October 3, 2007

The Liberal Democratic Party and New Komeito approved yesterday afternoon an outline of government-drafted new legislation enabling the Maritime Self-Defense Force to continue its refueling operations

TOKYO 00004638 007 OF 012

in the Indian Ocean. Following this, the ruling bloc asked the major opposition Democratic Party of Japan (Minshuto or DPJ) for talks, but the DPJ declined the request saying the legislation has yet to be made into a bill. There is no prospect that the new legislation will clear the Diet before it closes on Nov. 10. The government and ruling parties began studying the option of substantially extending the Diet session. Coordination is expected to proceed for extending the session for about one month.

The LDP-New Komeito antiterrorism project team that met yesterday approved the outline of the government-drafted legislation except for the new law's period. Although the LDP agreed to the government plan to set the period for two years, the New Komeito called for one year, as is the case with the current Antiterrorism Special Measures Law, citing the Diet's need to check the MSDF operations. The two parties will aim at a final agreement through another session on Oct. 4.

The outline specifies that: (1) the MSDF operations in the Indian Ocean will be limited to oil and water supply, (2) retroactive approval by the Diet will not be required, and (3) UN Security Council Resolution 1776 that expressed appreciation for the Maritime

Interdiction Operations in the Indian Ocean, in which the MSDF is taking part, will be added to the purposes of the new law.

The government and ruling parties plan to present the outline to the opposition bloc, including the DPJ, as early as Oct. 5 to make it into a bill after hearing views of the opposition bloc at a Lower House Budget Committee session next week, in order to introduce it to the Diet.

The government and ruling parties have reached a conclusion that Diet deliberations would not begin until mid-October and that a Diet extension is inevitable for the enactment of the new law. The dominant view is to extend the session until around Dec. 10 so as not to affect the planned budget compilation for the next fiscal year.

#### 10) MSDF fuel not used in Iraq operation

SANKEI (Page 5) (Full)  
October 3, 2007

The government adopted at a cabinet meeting yesterday a statement on the alleged diversion of fuel provided by the Maritime Self-Defense Force for use in the Iraq operation. The amount of fuel provided to a US supply vessel on February 25, 2003, has now officially been corrected from the 200,000 gallons (760 kiloliters) to 800,000 gallons. The statement also says that the fuel provided to a US aircraft carrier via the US supply ship was not used in the Iraq operation, which does not meet the spirit of the Antiterrorism Special Measures Law. The statement is in response to a question by House of Representatives member Kenji Eda.

#### 11) Six-party talks: Japan, US agree to accept draft agreement

YOMIURI (Page 2) (Excerpts)  
October 3, 2007

The government yesterday decided to accept a draft joint statement as provisionally agreed on in the six-party talks on Sept. 30 to discuss the North Korean nuclear issue. This decision reportedly has

TOKYO 00004638 008 OF 012

already been conveyed to China, the host of the talks.

Foreign Minister Komura referred to the draft joint statement at a press briefing yesterday and indicated problematic factors about the statement by saying, "Nuclear programs should have been 'fully reported,' but (the joint statement in this regard) is not perfect. In addition, disablement is limited to several (nuclear-related facilities in Yongbyon." On the other hand, Komura commented, "I am sure it is one step forward toward (denuclearization). I hope it will take effect as quickly as possible," expressing his expectations that every member of the six-party talks will accept the statement.

A senior Foreign Ministry official, as well, explained: "(The joint statement) is not necessarily satisfactory in part because nuclear facilities subject to disablement are limited to those in Yongbyon. But it has moved the six-party talks forward and is the first step forward toward achieving the final goal of denuclearizing the Korean Peninsula. That's why we can't oppose it." The contents of the joint statement has yet to be disclosed, but it includes a roadmap to implement by the end of the year the "next step," which consists of disabling North Korea's nuclear facilities and requiring the North to make a full report on its nuclear programs.

Takashi Sakamoto, New York

US Assistant Secretary of State Christopher Hill, the chief delegate to the six-party talks, yesterday told the Yomiuri Shimbun and other press companies at a New York hotel that the US government accepted the draft joint statement as provisionally agreed on in the six-party talks on Sept. 30 and yesterday conveyed this to China, the host of the six-party talks. Hill also revealed that the joint statement did not specify any deadline for the US to remove North Korea from the list of state sponsors of terrorism.

12) Draft joint statement by six-party talks says delisting DPRK as state sponsor of terrorism "depends on how that country will behave from now on"

ASAHI (Page 1) (Full)  
October 3, 2007

During the recent six-party talks held in late September, host-nation China drafted the joint statement. Yesterday, the wording used in the statement on whether to delist North Korea as a state sponsoring terrorism was revealed. The phrase states: "We will delist North Korea depending on how it will behave." The draft shows neither a deadline for delisting nor requirements for delisting.

Pyongyang appears to have taken it as meaning that if it disables its nuclear-related facilities located in three places in Yongbyon in accordance with the latest six-party agreement, the United States will agree to the delisting. The wording is likely to give cause for dispute in the process of promoting disablement in the future about whether it "rewards" the North.

According to a source involved in the six-party talks, the draft joint statement includes wording about the North disabling by the end of the year its nuclear-related facilities in three places in Yongbyon. On the question of whether to delist the DPRK, the joint statement refers to the February six-party agreement, in which the US confirmed it would start such a process, as well as to the

TOKYO 00004638 009 OF 012

US-North Korea working group talks, which discussed the delisting issue. The joint statement also says, "Based on the consensus (understanding) of the US-North Korea working group and in response to North Korea's behavior, the US will refer to the February agreement and implement (the delisting)."

North Korea's Vice Foreign Minister Kim Kye Gwan, the chief delegate to the six-party talks, yesterday told reporters: "The draft joint statement contains a timeframe (for the delisting)." The implication is that the North will call on the US to delist it as a state sponsor of terrorism if the North disables its nuclear facilities in Yongbyon within the year and meet the requirements for the delisting.

Chief Cabinet Secretary Machimura, however, rejected (Kim's remark) at a press briefing yesterday, saying: "It is not true."

13) Chief Cabinet Secretary Machimura denies Kim Key Gwan's remark that delisting date is specified

TOKYO SHIMBUN (Page 2) (Full)  
October 3, 2007

Referring to North Korean Vice Foreign Minister Kim Gye Gwan's remarks that the date when the United States will remove the North from its list of terrorist-sponsoring states is specified in a tentative six-party agreement, Chief Cabinet Secretary Nobutaka Machimura denied Kim's remarks, saying: "It is not true."

Machimura stated on the tentative agreement: "We are not satisfied with the contents of the agreement, but the action plan incorporates the common perception to push forward with denuclearization of the Korean Peninsula."

14) Inter-Korean summit: Japanese government has mixed feelings of expectation and alarm

MAINICHI (Page 2) (Full)  
October 3, 2007

The leaders of North and South Korea will hold talks for the first time in seven years. The Japanese government has mixed feelings of expectation and alarm, welcoming the event as leading to bringing about peace and stability to the Korean Peninsula while worrying that if the two Koreas promote rapprochement, the abduction issue might be left behind.



Foreign Minister Komura said in a press conference yesterday: "The inter-Korean summit will contribute to denuclearizing the Korean Peninsula, resulting in peace and stability in the region. I hear that the issue of Japanese nationals abducted by North Korea will also be taken up in the summit."

The Japanese government was carefully watching to see whether President Roh Moo Hyun's conciliatory policy toward North Korea would disrupt the unity of the international community. The government was favorably taking the cooperative policy maintained by the South Korean government until recently, seeing its decision to shelve energy aid to the North. The government, however, is also increasingly concerned about the current situation, with a senior Foreign Ministry official saying that the recent closer relationship between the United States and North Korea "has a delicate impact on

TOKYO 00004638 010 OF 012

North-South relations, making it easier for the Roh administration to take a conciliatory stance again."

Komura talks about plan to extend sanctions against North Korea for six months

In an interview with the Mainichi Shimbun and other press companies yesterday, Foreign Minister Masahiko Komura indicated his view that Japan should extend its economic sanctions against North Korea, which is due to expire on Oct. 13, for another six months. He said: "I do not think that North Korea has changed remarkably enough for Japan to remove its sanctions." This remark reflects his judgment that Japan needs to continue to apply pressure as no progress has been made on the abduction issue.

Japan will extend the measures to prohibit the North from exporting any items to Japan and its ships from making port call in Japan. The government slapped these sanctions in reaction to North Korea's missile launch last July and nuclear test last October.

15) Fukuda government responds quickly to Okinawa textbook issue due to huge public outcry in Okinawa

MAINICHI (Page 2) (Excerpts)  
October 3, 2007

References suggesting the Imperial Army forced civilians to commit mass suicides during the 1945 Battle of Okinawa have been deleted from history textbooks by the official textbook screening process. However, the government and ruling parties have now begun taking a stance of allowing textbook publishers to reconsider the deletion of the references. The move seems to demonstrate efforts by the government of Prime Minister Yasuo Fukuda to display a sharp contrast to his nationalistic predecessor, Shinzo Abe.

On March 30, the results of the textbook screening were made public under the cabinet of then Prime Minister Abe. In June when Abe visited Itoman City in Okinawa, he was adamant about not retracting the results of the screening, saying: "The council on textbook screening looked into them with an academic viewpoint."

In Okinawa on Sept. 29, however, 110,000 people staged a protest rally in Ginowan City, demanding the retraction of the results of the textbook screening.

The Fukuda administration and ruling coalition were quick respond to Okinawa's anger. On Oct. 1 Chief Cabinet Secretary Nobutaka Machimura told Education, Culture, Sports and Science and Technology Minister Kisaburo Tokai to make an appropriate response. The government adopted on Oct. 2 a statement agreeing to revisions that would retain the references.

In a meeting the same day of the government and ruling coalition, New Komeito leader Akihiro Ota proposed setting up a joint research panel of experts from the government and Okinawa. He stated: "Involvement of the Imperial Army cannot be denied. Based on history, we should accurately and correctly transmit such matters." Liberal Democratic Party (LDP) Deputy Secretary General Hiroyuki

Hosoda also stated in a press conference: "It is important to acknowledge that a tragedy occurred."

16) DPJ Watanabe's political organization declared 170 million yen

TOKYO 00004638 011 OF 012

during 12 years for non-existent office

ASAHI (Page 31) (Excerpts)  
October 3, 2007

It has been revealed that the political organization of House of Representatives member Kozo Watanabe (Fukushima No.4 District), supreme advisor to the Democratic Party of Japan (DPJ), had registered the apartment of Fukushima Governor Yuhei Sato, his nephew, as its main office with the Internal Affairs and Communications Ministry during the 12 years through 2004, though it actually had not used it. Sato, who used to be a secretary to Watanabe, said: "I just allowed the name to be used, receiving no rent or utility fees." But the organization declared a total 178 million yen in its political funds reports during this period as office and other expenses.

A secretary to Watanabe commented on the registration of Sato's private residence as the main office: "The main office is located in the Diet Members Office Building. If one claims that the report goes against the facts, it might be true." According to its political funds reports, the political organization's office is now located in a room of the apartment in Chiyoda Ward, Tokyo, owned by Watanabe, but during the 12 years between 1993 and 2004, the organization reported that its main office was in Sato's apartment in Shinjuku Ward.

17) Citigroup to wholly own Nikko Cordial in first case of triangular merger

ASAHI (Top Play) (Excerpts)  
October 3, 2007

US financial giant Citigroup announced on Oct. 2 that it will wholly own the Nikko Cordial Group, in which it has about 68 PERCENT stake, by acquiring the remaining stocks using the triangular merger method next January. This will mark the first case of a foreign company acquiring a Japanese company by exchanging its own stocks for the Japanese company's Nikko shares, using the triangular merger method approved this May. The financial giant Citigroup's decision to use the triangular merger method could spur buyouts of Japanese companies by foreign companies.

The Citigroup at present holds roughly 68 PERCENT of Nikko stocks (on a voting right basis). It will transform Nikko Cordial into a wholly owned subsidiary through a stock swap with Nikko shareholders.

The Nikko stocks yesterday closed at 1,462 yen, up 17 yen, on the Tokyo Stock Exchange, compared with the previous day. In the stock swap, Nikko stockholders will receive the equivalent of 1,700 yen -- the same value as set in the takeover bid this spring -- for each Nikko share. Stocks up for exchange are estimated to total approximately 530 billion yen. The exchange rate will be decided between this December and next January.

18) Companies alarmed about first triangular merger: METI remains calm, noting it was carried out in anticipated manner

ASAHI (Page 10) (Excerpts)  
October 3, 2007

TOKYO 00004638 012 OF 012

A triangular merger will be formed for the first time since the lifting of the ban on such in May. The removal of the ban on triangular mergers had long been put off because business circles were against the method out of fear of an increase in hostile merger

bids by foreign companies. The Ministry of Economy, Trade and Industry (METI) has remained calm with one official noting, "The method will be used in an anticipated manner." However, companies are worried about the move.

The same senior METI official said in a matter-of-fact manner, "This is only the first case since the approval of triangular mergers. The merger is within the same group. People overly made a fuss over the removal of the ban on triangular mergers, saying that the decision would pave the way for a flood of foreign companies to buy Japanese companies."

Japanese companies had been alarmed about the removal of a ban on triangular mergers this May. In order to counter possible bids for triangular mergers, they purchased their own stocks with the aim of raising the value of them. They also increased cross holdings of stocks.

According to Nomura Securities, the ratio of cross-held stocks among about 3,000 listed companies reached 12.0 PERCENT in fiscal 2006, up 0.9 percent from the previous year, though the ratio had been on the decline since a survey started in fiscal 1990.

In particular, the steel and paper industries, which underwent major reorganization last summer, made hard efforts to increase mutual equity holdings. Behind their effort is presumably a rising sense of crisis toward the removal of the ban on triangular mergers.

However, there have been no triangular mergers over the past five months since the removal of the ban. The case this time is not based on a hostile merger.

DONOVAN